



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2671
www.CityofSacramento.org

CONSENT
November 25, 2008

**Honorable Mayor and
Members of the City Council**

Title: Lease Agreement: Office Space at 1331 Garden Highway

Location/Council District: 1331 Garden Highway / Council District 1

Recommendation: Adopt a **Resolution:** 1) authorizing the City Manager or the City Manager's designee to execute a sixty-two (62) month lease with one five-year renewal option with Sierra Health Foundation; and 2) authorizing the City Manager or the City Manager's designee to execute such additional documents and to take such additional actions as necessary to implement the lease agreement for the office space.

Contacts: Rhonda R. Lake, Facilities and Real Property Superintendent, 808-7902;
Alan Boyd, Operations Manager, 808-6077

Presenters: Not applicable

Department: General Services, Parks and Recreation

Division: Facilities and Real Property Management

Organization No: 13001551

Description/Analysis

Issue: The Department of Parks and Recreation has leased space at 6005 Folsom Boulevard for a number of years as offices for a variety of Recreation Division operations. Currently, the Cover the Kids Program, and Access Leisure and Adult Sports operations are housed there. The current lease expires at the end of January 2009 and the opportunity has arisen to relocate all of the staff to either the Sierra Health Foundation complex located at 1331 Garden Highway or the Natomas Service Center located at 3291 Truxel Road at a significant savings to the General Fund. Other tenants of the Sierra Health Foundation complex will include other local agencies and non-profit organizations. Collectively, these tenants will form a "Nonprofit Innovation Center." Sierra Health Foundation is offering very favorable lease terms to these tenants for being part of this tenant group.

Policy Considerations: This recommendation is consistent with the City's strategic plan goal to enhance livability by partnering with other local and regional agencies to maximize funding opportunities.

Committee/Commission Action: Not applicable

Environmental Considerations:

California Environmental Quality Act (CEQA): This project is exempt from CEQA guidelines under Section 15301(a). This section addresses the lease of space within an existing private structure involving no expansion of an existing use, except for minor alterations.

Sustainability Considerations: Not applicable

Rationale for Recommendation: Relocating staff (Cover the Kids/Regional Children's Health Project and some Access Leisure staff) to the Sierra Health Foundation complex and the Natomas Service Center will result in an approximate \$140,000 savings to the General Fund beginning in FY2009/10, and will provide the Department of Parks and Recreation with enhanced opportunities for fund development and marketing through networking with other community service agencies that will also be located in the Sierra Health Foundation complex. The Adult Sports and the balance of the Access Leisure staff will be relocated to the Natomas Service Center primarily due to the General Fund cost savings. Operationally, these programs serve the entire City and their office location is not critical to service delivery.

Financial Considerations: Under the current lease, annual rent is \$235,410 of which \$140,000 is currently paid by the General Fund as opposed to \$128,597 annually under the proposed lease which will be entirely paid from non-general fund operating grants (Cover the Kids and Access Leisure Teen Programs). The proposed lease rate will remain fixed throughout the initial term. The rate is very favorable as it includes the construction of all tenant improvements, as well as the use of office and systems furniture and no pass-through of building operating expenses to the City. In the event of a lack of funding for these programs, the lease contains a termination provision.

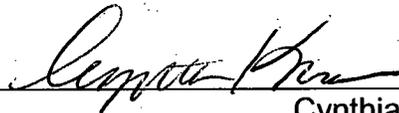
There are no lease costs for the Natomas Service Center. Funding to relocate staff, including technology and office furniture, to both of the locations is contained in the current year operating grants identified. Additionally the savings, in the current year operating General Fund budget of the Department of Parks and Recreation, from terminating the existing lease will be used as well. Beginning in FY2009/10, this General Fund support will no longer be required resulting in an approximate savings of \$140,000.

The following table provides details of the proposed lease at the Sierra Health Foundation complex.

Proposed Lease Terms for Sierra Health Foundation Complex	
Term	Sixty-two (62) months, subject to early termination for lack of funding
Option to Renew	One, five-year term
Lease Commencement	January 1, 2009 or upon substantial completion of tenant improvements
Premises	4,611 rentable square feet (4,011 usable square feet)
Rent	Months 1 – 3: \$0 Months 4 - 62: \$10,236.42 (\$2.22 per rentable square foot)
Rent for Option	Fair market value at the time option is exercised
Parking	Mandatory allocation of four parking spaces at \$120 each per month
Tenant Improvements	All tenant improvements, including space planning services and office and systems furniture will be provided by Landlord at no cost to the City.
Operating Expenses	Utilities (excluding phone/data services), janitorial, maintenance and repairs, common area expenses, property management, and security will be provided by Landlord at no cost to the City.

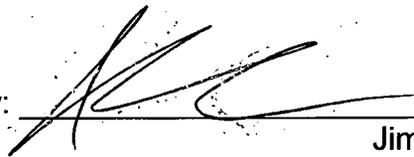
Emerging Small Business Development (ESBD): Not applicable

Respectfully Submitted by:



Cynthia Kranc
Facilities Manager

Approved by: 
Reina J. Schwartz
Director, Department of General Services

Approved by: 
Jim Combs
Director, Department of Parks and Recreation

Recommendation Approved:

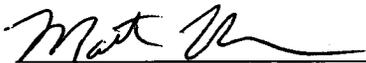
Don 
Ray Kerridge
City Manager

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RESOLUTION NO. 2008-XXXX

Adopted by the Sacramento City Council

November 25, 2008

**LEASE AGREEMENT WITH SIERRA HEALTH FOUNDATION FOR OFFICE SPACE AT
1331 GARDEN HIGHWAY**

BACKGROUND

- A. The lease for office space at 6005 Folsom Boulevard currently occupied by the Department of Parks and Recreation expires at the end of January 2009.
- B. Space at the Sierra Health Foundation complex located at 1331 Garden Highway and at the City occupied Natomas Service Center located at 3291 Truxel Road is available to relocate all the staff currently located at 6005 Folsom Boulevard at a net savings to the General Fund of approximately \$140,000 beginning in FY2009/10.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

- Section 1. The City Manager or the City Manager's designee is authorized to execute a lease agreement with Sierra Health Foundation for office space at 1331 Garden Highway for a term of sixty-two (62) months with annual rent during the initial term not to exceed \$128,600 with one five-year renewal option.
- Section 2. The City Manager or the City Manager's designee is authorized to execute such additional documents and to take such additional actions as necessary to implement the lease agreement for the office space.